

Department of Finance		Fund: 0739	
STATE OF CALIFORNIA MANUAL OF STATE FUNDS		PAGE 1 Renumbered From:	
<u>Legal Title</u> State School Building Aid Fund			
<u>Legal Citation/Authority</u> Chapter 277, Statutes of 1996 (SB 1562) Education Code sections 16000-17514			
<u>Fund Classification</u> <u>GAAP Basis</u> Proprietary/Enterprise Funds		<u>Fund Classification</u> <u>Legal Basis</u> Nongovernmental/Working Capital and Revolving Funds	
<u>Purpose</u> A depository of moneys derived from the sale of bonds authorized by legislative enactment and subject to the approval of the voters in the State School Building Aid Bond Laws of 1952, 1954, 1956, 1958, 1960, 1962, 1964, 1966, and also the State School Building Aid and Earthquake Construction and Replacement Bond Laws of 1972 and 1974. The amount of bonds authorized to be sold in each of the bond laws are as follows: Building Aid Bond Law			
<u>Bond Law</u>		<u>Amount Authorized</u>	<u>Cumulative Amount</u>
1952		\$185,000,000	\$ 185,000,000
1954		100,000,000	285,000,000
1956		100,000,000	385,000,000
1958		220,000,000	605,000,000
1960		300,000,000	905,000,000
1962		200,000,000	1,105,000,000
1964		260,000,000	1,365,000,000
1966		275,000,000	1,640,000,000
Building Aid and Earthquake Reconstruction and Replacement Bond Laws			
1972		\$350,000,000	\$1,990,000,000
1974		150,000,000	2,140,000,000
The proceeds from the sale of the bonds are used to render financial assistance to school districts in the acquisition and construction of classroom facilities for pupils in the public school system. Money is apportioned to public school districts based upon greatest need. The factors considered in this determination are overcrowding, rapidity of growth in attendance, and the time the district's application for aid has been ready for apportionment.			

The Office of Local Assistance, Department of General Services, determines the eligible bonded debt service for participating districts and certifies these amounts to the State Controller.

The State Controller then computes the annual repayment due from each district and deducts the total amount of the annual repayment in equal portions from each of the February, March, April and May installments of the apportionments made to such district from the State School Fund. The amounts so deducted are transferred from the State School Fund to the State School Building Aid Fund, in repayment of moneys apportioned to districts, is available only for transfer to the General Fund in reimbursement of expenditures made from the General Fund for redemption of state school building aid bonds and the interest thereon.

The Director of General Services determines the school district's financial ability to meet the costs of a given project and apports money to supplement the district's funds in meeting the cost. No apportionment to a school district shall become final unless:

1. The bonding status of the districts meets one of the following:
 - a. The total amount of outstanding bonds of the district exceeds 95 percent of the basic bond requirement of the district on the date the conditional apportionment is made, or
 - b. The total amount of the bonds of the district outstanding and unpaid is within \$25,000 of the basic bond requirement of the district as of the date on which the conditional apportionment is made, or
 - c. The district has issued and sold, as a condition to the initial conditional apportionment, an amount of bonds equal to the total cost of the project for which the apportionment was made, including necessary contingencies.
2. The district has had a successful election to accept and repay an amount equal to or more than the apportionment.

Chapters 118, Statutes of 1971, Chapter 105, Statutes of 1971, Chapter 475, Statutes of 1974 and Chapter 515, Statutes of 1976 reserved an amount not to exceed \$55,000,000 of the proceeds derived from the sale of bonds in the Bond Law of 1966, \$250,000,000 from the Bond Law of 1972 and \$50,000,000 from the Bond Law of 1974 to be used as aid for the rehabilitation and replacement of structurally inadequate school facilities. In addition to these amounts, Chapter 1, Statutes of 1971, First Extraordinary Session, transferred \$30,000,000 from the General Fund to the School Building Safety Fund to be used for the same purpose.

Various amounts have been reserved from specific bond acts for special purposes--\$21,178,000 has been reserved for construction of regional occupational center from the Bond Act of 1966 (Sections 16250 and 16300 of the Education Code and Section 3 of Chapter 1203/70), the Bond Act of 1972 (Education Code section 16380), and the Bond Act of 1974 (Education Code sections 16255 and 16280). All money apportioned for the construction of regional occupational centers, is to be repaid in full with interest. An amount not to exceed \$35,000,000 is reserved from the proceeds of the 1966 authorization for compensatory education purposes (Section 16210).

Each school district receiving an apportionment under the growth is liable to repay the principal amount and the accrued interest thereon. Under some circumstances the law permits a reduction or cancellation of the amount owed. No interest accrues on an apportionment after 25 years, and at the end of 30 years, the unpaid balance is cancelled and title to the property acquired with the apportionment is conveyed to the district.

The amount the district is required to repay annually is equal to the excess of the amount raised by a district tax levied to service eligible local bond indebtedness over the amount produced by a 40 cent tax rate per \$100 of modified assessed valuation per grade level. However, the maximum annual repayment to the state annually is limited to the amount produced by a tax rate of 30 cents per grade level.

A deferment provision was added to aid districts which are already repaying apportionments under the Building Aid Law of 1949 and because of growth have obtained apportionments under the Building Law of 1952. Districts qualifying must apply for a deferment by the June 30 preceding the fiscal year in which the deferment is requested. Once a deferment is accepted it remains in effect until the district submits a written withdrawal. The amount of the deferment is computed as the excess of the basic tax received by a district over a rate of 45 cents per grade level. The excess is deducted from the computed repayment and is added to the computed repayment for the following year, which again will be subject to deferment. Amounts deferred by districts are subject to repayment for 10 years after the regular repayment period of 30 years.

The Building Aid and Earthquake Reconstruction and Replacement Bond Laws of 1927 and 1974 provide that any moneys apportioned to aid in the construction or improvement of facilities to meet the earthquake resistance standards are to be repaid in 20 years in equal annual payments, except, however, that the annual repayment may not exceed a tax rate of 17.5 cents per \$100 of modified assessed valuation.

The State Allocation Board may transfer from the Public School Building Loan Fund to this fund any amounts determined to be in excess of those needed to carry out all of the provisions of the Public School Building Loan Fund.

In the event that a district receives money from the federal government for a project which has also received an apportionment from the subject fund, the annual repayment of the district is increased by the amount of the federal contribution. The district's annual repayment is not increased when the federal money is used to meet part of the cost of a given project.

Because of the overlapping responsibilities of the Controller and the Office of Local Assistance, Department of General Services, a joint final audit is made by the two departments of the books and records of the districts receiving apportionments, and, when necessary, those of the county in which the district is located. The field audit is made at times determined appropriate by the Controller for the purpose of assuring that moneys apportioned are being spent for the purposes authorized.

Administering Agency/Organization Code

State Allocation Board and the Office of Local Assistance, Department of General Services/Org 1760
School Facilities Aid Program/Org 6350

Major Revenue Source

Receipts from repayments of apportionments.

Bond funds determined to be available by audit.

Bond funds declared available by district.

Interest income.

Bonds issued by school districts as a condition to apportionments.

Receipts from the sale of property.

Income for use of property before it is put to school use.

Disposition of Fund (upon abolishment)

Pursuant to Government Code 16346, in the absence of language that identifies a successor fund, any balance remaining in this fund upon abolishment, shall be transferred to the General Fund.

Appropriation Authority

Section 16096 of the Education Code provides that "All money in the State School Building Aid Fund, including any money deposited in said fund from any source whatsoever after November 12, 1952, is hereby continuously appropriated without regard to fiscal years for expenditure pursuant to apportionments made under the provisions of this chapter."

State Appropriations Limit

Always Excluded – Revenues in this fund are not proceeds of taxes and even after transfer, will never become proceeds of taxes because the major revenue source is derived from a Bond Fund.

Comments/Historical Information

On 10/25/05, this fund was administratively changed from a Bond Fund to a Working Capital and Revolving Fund.

Chapter 27, Statutes of 1952, Second Extraordinary Session created the need for this fund.

Chapter 1010, Statutes of 1976 added Education Code section 16096.

Chapter 277, Statutes of 1996 (SB 1562) repealed and then re-added Education Code section 16096.